DEPARTMENT OF COUNTY ADMINISTRATION
OFFICE OF CENTRAL SERVICES
CENTRAL FLEET DIVISION
ANNUAL PHYSICAL INVENTORY
FOR THE YEAR ENDING JUNE 30, 2001

Findings and Recommendations:

According to Central Fleet Policies and Procedures Manual, Sections 12.2.5 and 12.2.6, each shop in the Central Fleet Division is responsible for performing regular physical inventory counts and data entry at the end of June. Physical inventory counts were taken and verified by the stores employees for the fiscal year ending June 30, 2001. The total value of the auto parts inventory reported was $ 609,795 for all the shops combined on the date of the various counts. We have listed the valuation of parts on various count dates during the month of June for the current and previous year for comparison.

Shop	FY 2001	FY 2000
Alpha Ridge	$ 13,700	$ 14,109
Cooksville	$ 107,409	$ 111,764
Dayton	$ 238,473	$ 253,796 (1)
Guilford	$ 92,324	$ 88,431
Mayfield	$ 140,850	$ 170,424
Utilities	$ 17,039	$ 18,110
Total	$ 609,795	$ 656,634

(1) This amount was not based on the actual counts. The amount shown is the perpetual inventory amount at that shop.

After entering the physical inventory counts in the computer, each shop ran the "Physical Inventory by Part Location" report to determine the "Inventory Part Valuation (and the total dollar amount) By Part ID." A summary report was compiled based on the above valuation reports and submitted to the Department of Finance by the Office of Central Services for the year end book entry ended June 30, 2001.

The supervisor at each shop reviewed the variances between the perpetual inventory and the physical inventory counts taken on the inventory count sheets. The counts were compared with the units on hand per perpetual records. The variances were reviewed, recounted, investigated and resolved by the supervisor. After the supervisor was satisfied with his investigation of the accuracy

of the parts counted and the recorded units on the perpetual records, he listed these variances on an annual inventory adjustment form to provide the explanation for them.

We have summarized below the variances found in the "Physical Inventory by Part Location" reports for each shop at the time of the parts counting process. The shop supervisors investigated the variances and found that most of them were data entry related. They prepared the adjustment forms for them and then corrected the perpetual inventory records (FleetMaint computer program).

Shop	Number of Parts		Number of Variances		% of Variances	
	FY 2001	FY 2000	FY 2001	FY 2000	FY 2001	FY 2000
Alpha Ridge.....	176	158	6	4	3.41	2.53
Cooksville.....	1,568	2,050	35	252	2.23	12.29
Dayton.....	2,521	3,232	385	764	15.27	23.64
Guilford.....	2,760	2,669	121	125	4.38	4.68
Mayfield.....	1,163	1,754	28	55	2.40	3.14
Utilities.....	172	162	3	3	1.74	1.85
Total	8,360	10,025	578	1,203	6.91	12.00

After the investigations and adjustments were completed, the Parts Valuation reports were run based on the counted units. The variances were set to zero and the inventory dollar value reports were produced as of the date of the count.

To value the inventory as of June 30, we noted that the adjustments were not made at the shops from the date of the count to the end of the fiscal year as they reported no usage and receipts of the parts for that time period except at the Dayton shop.

We reviewed the recorded changes on the adjustment forms and found that the forms were prepared by the stores technicians and approved by the shop supervisors.

To calculate and determine the total inventory value amount before and after the counts were taken at each shop, the shop inventory valuation reports were needed so that we could compare the two reports and determine the size of the dollar difference. We found that the two valuation reports were run for each shop and did not find any significant discrepancy. We have listed below valuation

amounts for the various dates:

Shop	Value Before Count Date	Value After Count Date	Value June 30
Alpha Ridge	$ 13,921	$ 13,700	$ 13,700
Cooksville	$ 107,462	$ 107,409	$ 107,409
Dayton	$ 235,069	$ 237,757	$ 238,473
Guilford	$ 95,552	$ 92,324	$ 92,324
Mayfield	$ 140,260	$ 140,850	$ 140,850
Utilities	$ 17,241	$ 17,039	$ 17,039
Total	$ 609,505	$ 609,079	$ 609,795

We reviewed the recorded changes on the adjustment forms and found that the forms were prepared after the counts were taken by the stores technician and the variances were investigated and approved by the shop supervisor. We also reviewed the records after the inventory count dates and noted that no adjustments were necessary to arrive at the June 30 inventory values at the shops except at Dayton.

A. Alpha Ridge Shop:

We visited the shop on June 30, 2001. The counts were being taken by the staff members. The inventory value of the auto parts counted amounted to $ 13,700 on the date of the count. The recorded value prior to the count amounted to $13,921. We took a random sample of 16 items out of 176 parts (9.09%) and did not find any discrepancy in the counts.

The perpetual inventory records were reconciled with the end of the year physical inventory counts and an adjustment form was prepared. There were six items listed consisting of oil, fluid and oil filter etc. on this form. We reviewed the errors and found that they were insignificant for a total dollar value of $221, therefore, we did not take any action at this time.

B. Cooksville:

We visited the shop on June 27, 2001. The counts were completed prior to our visit. The total dollar value of the inventory value amounted to $ 107,409 on the date of the count. The inventory valuation amounted to $ 107,462. prior to the physical count. The adjustments were made in the recorded data to reconcile the difference of $53 between the recorded and the counted values as of June 27, 2001. No further adjustments for usage and receipts were made after this date in the inventory records. The inventory value reported to the Department of Finance was $ 107,409 for the year ended June 30, 2001, at the end of fiscal year.

The shop listed 1,568 auto parts under 123 different locations of the shop on the inventory count sheets on June 27, 2001. We noticed that out of 1,568 parts counted. The counts for 35 parts (2.23%) did not agree. We selected 33 items out of the total 1,568 parts (2.10%) at random for our sample size. We compared our sample counts with the earlier counts taken by them and did not find any discrepancy.

We reviewed the perpetual inventory records that were reconciled as of the date of the count. The annual adjustment forms were prepared to correct the perpetual inventory records by the stores technician reporting 35 parts consisting of various parts on these forms. These adjustments were authorized and approved by the shop supervisor. Most of the adjustments were necessary to correct the hydraulic fitting records in the computer data. The parts' records were affected during the year as these parts were stored in the wrong bins (locations) or the wrong parts were charged while issuing them.

C. Dayton:

We visited the Dayton shop on June 25, 2001. The counting process was completed prior to our visit. The inventory value amounted to $237,757 as of the date of the count. The inventory valuation prior to the date of the count amounted to $ 235,069. The total adjustment in the amount of $ 2,688 was made to the value dated June 25 (the count date). The inventory value reported to the Department of Finance as of June 30, 2001 amounted to $ 237,757, but the correct amount should have been reported in the amount of $238,473 as per a valuation report run on June 29, 2001. This amount was arrived at after further adjustments were made from the time of the count to the

closing of the year. The total value difference of $716 was immaterial, therefore, we did not take any action.

On June 25, 2001, 2,521 auto parts were listed on the inventory count sheets under 91 different locations of the shop. We noticed that the counts of 385 parts (15.27%) with a total value of $2,688 did not agree. We selected 25 parts out of 2,521 (1%) parts at random for our sample size. We reviewed and compared our counts with the earlier counts taken by them and found that only one count did not match (Part #10459013, Location D/D3, Alternator '95, unit cost $233.97).

We reviewed the perpetual inventory records that were reconciled on the date of the count with the physical counts taken. The annual adjustment forms were prepared by the stores technician to account and explain the differences. The adjustments were reviewed, investigated and approved by the shop supervisor then submitted to the Central Fleet administration office. The supervisor and the central fleet administration office should review these annual forms and compare them with the future years to see any trend development.

D. Guilford Shop:

We visited the shop on June 25, 2001 to observe the inventory counting process. The total value of the count amounted to $ 92,324. The inventory valuation before the count was reported in the amount of $ 95,552. We took a random sample of 33 parts (1.2%) out of 2,760 items listed under 548 locations. Based on that sample, we did not find any discrepancy in their counts. We reviewed the perpetual inventory records that were reconciled as of the date of the count.

The adjustment in the amount of $ 3,228 was made to reconcile the difference between the recorded and the counted inventory valuation amounts. The total number of 121 parts consisting of various items were noted on these adjustment forms as of the date of the count. The adjustment forms were prepared to correct, report and explain the perpetual inventory differences found while the counts were taken. We reviewed some of the variances listed on the adjustment forms and did not find any part with significant dollar discrepancy while taking the annual inventory at the shop.

E. Mayfield Shop:

We visited the shop on June 28, 2001 and noted that some of the counts were completed prior to our visit. The total dollar value of the inventory of the parts counted per final valuation report dated June 30 amounted to $ 140,850. We took a random sample of 54 parts (4.6%) out of 1,163 items listed. Based on that sample, we did not find any discrepancy in their counts.

The perpetual inventory records were reconciled with the end of the physical inventory counting process by preparing the annual adjustment forms. There were 28 items on these forms consisting of various parts. The shop supervisor and the Central Fleet administration office should review these forms and compare them from year to year to see any trend development.

F. Utilities Shop:

We visited the shop on June 30, 2001 to observe the inventory counting process. The total inventory value for the count per final valuation report dated June 30 amounted to $17,039. The recorded value prior to the count amounted to $17,241. We took a random sample of 32 out of 172 parts listed (18.6%) and did not find any discrepancy in the counts.

The perpetual inventory records were reconciled with the end of the year physical inventory counts and adjustment form was completed. There were only three items consisting of oil and fluid on this form. We reviewed the errors and found that they were insignificant for a total dollar value of $202, therefore, we did not take any action at this time.

Fuel Inventory:

We met with the Central Fleet administration staff to schedule our fuel inventory (unleaded gasoline and diesel) measurement observation visits. The administration office technician measures monthly fuel stored in the tanks on a fixed schedule. The perpetual inventory record is computerized on the site on the Veeder Root machine and the amount of gasoline in the tanks is measured by this device on the tape. There are no Veeder Root devices at Dayton, the Waste Water Plant, and the Howard Building sites.

We visited eleven (11) sites on June 30, 2001 to observe the fuel inventory process. The fuel

measurements were taken by the technician of the Central Fleet by a measurement stick. At the sites he also provided a Veeder Root tape of the fuel reading except Dayton, the Waste Water plant and the Howard Building. The Buildings and Grounds fuel site was decommissioned during the year, and we did not visit that site. We did not observe any significant discrepancies.

The Office of the Central Services prepared a revised memorandum report for the fuel inventory dated July 31, 2001 for the Department of Finance (Financial Management Division) for the fiscal year 2001. As per the memo gasoline inventory value was $84,031 and the diesel inventory value was $72,723.

Mobile Truck Fuel Tank:

We did not observe the mobile truck fuel tank at the Alpha Ridge site that has a capacity of about 100 gals. However, because the year end perpetual inventory records of the mobile fuel truck showed 1,848 gals. at June 30, 2001, we performed a detailed review of the truck activity. We collected the Daily Lube and Fuel Logs of the Alpha Ridge shop from the Central Fleet administration office. Our purpose was to determine the documentation process for dispensing diesel fuel from the mobile fuel truck (also identified as tank #A6). This truck has a 100-gallon capacity tank and supplies the fuel to the heavy equipment at the landfill working site since May 19, 1999. We were informed that the fuel dispensing from the mobile truck is recorded on the daily log at the site after filling the equipment. The logs are collected at the Department of Public Works Alpha Ridge site and later are sent to the Central Fleet administration office. We were informed by the Central Fleet administration office that the procedure was not followed properly because the logs were not forwarded for more than five (5) months. Because there is no documentation, an allocation entry in the records was made by the Central Fleet administration staff to indicate the fuel consumption when the logs were outstanding. However, there is no basis for this entry and there is no verifiable accounting for this fuel.

The administration office posts the number of gallons in the "Gasboy" program manually from the daily logs. The Gasboy system provides a monthly report showing the total number of gallons dispensed at each pump.

The fuel truck fills its tank from tank #2 (an underground diesel tank) up to its capacity of 100 gallons. The dispensing of fuel from the fuel truck to the heavy equipment is done manually

and then entered on the daily log. No gas card or any other automatic recording system is used for this process.

We reviewed the hand written logs for the months of January thru July 2001 which represented the dispensing of fuel from tank #6. While reviewing these logs, we noted that they were not organized in any order for the month before entering them in the Gasboy program. Some of the logs were recorded from beginning to end for that particular month while others were from the end of the month to the beginning of the month. According to the above procedure there was no way to indicate that all the logs were collected for the entire month or whether some of the daily logs were missing for the month. We also noted that several of the daily logs had no date on them and that while posting, some months were entered in the middle of the month (e.g., June started from 10th of the month) while some months ended before last day of the month (e.g., May ended on 18th). We have listed them as follows:

Daily Log Dates:	Total Gallons:	Date Posted:
January 1-22	913	February 7
January 23-February 23	1,325	March 7
March 10-30	1,300	May 2
April & March (No date order)	2,283	May 22
May 1-18	1,388	June 19
June 24-10	976	July 31
July 24-2	1,092	July 31

We visited the Alpha Ridge shop on August 15, to observe the gas dispensing process from the mobile fuel truck. We met with a staff person who handles the fuel dispensing from the truck. We found that the fuel truck was parked on the landfill site close to the heavy equipment. The heavy equipment is filled as needed before the work day starts in the morning. The fuel truck has a digital meter attached to the tank that measures the number of gallons pumped out. No more than 75 gals. can be pumped out at a time from the tank. The gas meter always indicates the previous reading which is the number of gallons pumped out at the last filling. Before pumping the fuel, the fuel meter may be set to zero (0) to track the number of gallons pumped in the equipment. The gas meter may

not always be set to zero while filling up the equipment as majority of the heavy equipment have a tank capacity greater than 75 gals. To determine how many gallons were actually pumped in the tank of the heavy equipment, the fuel meter of the mobile truck must be set to zero. We observed the demonstration of the fuel meter operation by the landfill staff member by pumping two gallons back to the truck's fuel tank.

According to that staff member, the daily gas dispensing logs are completed after the equipment has been filled and these logs are kept in a three ring binder in the fuel truck. These logs are then stored in an envelope in the highway office to be picked up by the central fleet administrative staff at the time of his routine visits. We reviewed the logs kept in the truck and noted that one of the logs dated July 3 was not forwarded to the central fleet administration office. We were told that the log was not forwarded because the staff person who handles the process was away on vacation.

If the daily logs are not turned in regularly and in a timely fashion, then the fuel usage report prepared by the Central Fleet administration office would be incomplete and inaccurate for that month. We were informed that, in spite of many reminders by the Central Fleet administration office to the Department of Public Works staff member at the Alpha Ridge site the outstanding logs from July to December 2000 were never received. The lack of this information over the years precipitated an adjusting entry to show the allocation of fuel to the equipment. The entry was made as of December 26,2000 in the amount of 7,400.90 gals. to equipment #15637. However there is no backup to justify this entry.

We were informed that each morning the staff in the Central Fleet administration office transfers the number of gals. dispensed to all the vehicles by the Gasboy program to the FleetMaint program from the last report. The data transfer in the FleetMaint is done by matching the card number of the Gasboy program. As soon as the card number match is found, the number of gals. dispensed are transferred to the vehicle/equipment in the FleetMaint program. If no match is found then an error message is generated that requires a vehicle identification and a manual entry by the administration staff. The daily interfacing of the two programs is necessary as the Gasboy program does not automatically recognize the operator of the vehicle or the equipment being filled. The central fleet vehicle is given a designated card (like a credit card) for that vehicle. This card can easily be transferred or used to fill other unassigned or unauthorized vehicles with that card. We found that during the months of March and April there was no fuel dispensed from fuel truck (#A6)

but the card was used to fill up the heavy equipment at the landfill when the truck was being serviced during that time period.

In our opinion, the following recommendations should be implemented by the Department of Public Works and the Department of the County Administration jointly to strengthen controls over fuel records and the related inventory. We, therefore, recommend that:

1. ***The Department of Public Works should design and use the pre numbered printed daily logs for mobile truck fuel usage to account for all the daily logs during the year.***

Administration's Response:

A two-part weekly fuel log form will be designed by the Department of Public Works for submittal to Central Fleet. Each log will have a space for the "week of" which will eliminate the need for pre numbered log sheets. A supervisor will be required to complete and sign the weekly log.

Auditor's Comment:

The alternative method of two part weekly fuel log to the pre numbered printed daily logs for fuel usage would be acceptable as long as the yearly fuel usage is continuously, completely and accurately reported on the weekly fuel logs for the year.

2. ***The Department of Public Works employees at the landfill should date the daily log and note the number of gallons filled in the various heavy equipment on that day.***

Administration's Response:

The revised daily log form will include a field for the "week of " date and will be reformatted to easily record fuel dispensed to individual pieces of equipment. The data from these sheets will be checked each week by the supervisor and used by the supervisor to complete the weekly fuel log form. Since a supervisor will be required to complete and sign the weekly log, this should ensure that the number a gallons will be accurately filled in for the entire week.

Auditor's Comment**:**

The alternative weekly fuel log should be completed, reviewed and signed by the immediate supervisor for each week's fuel usage. The yearly usage should be accurately reported on the 52 weekly fuel logs for the year (52 reports for the 52 weeks in a year) to show a continuous and complete 12 month time period without missing a week or a day for the number of gallons used for the equipment. If no fuel was used on any particular day, enter "0" (zero) gallons on the weekly fuel log for

that day to ensure that there was no omission on the log and that all the working days during that week were covered by the supervisor.

3. ***The Department of Public Works Supervisor at Alpha Ridge should send all the completed daily logs to the Central Fleet administration office at the end of each week.***

Administration's Response:

Staff in the Department of Public Works at Alpha Ridge will deliver the newly revised weekly logs to Central Fleet each week.

4 ***The Central Fleet administration office sort the logs received from the Department of Public Works by number and enter them into the computer system each month to record the fuel usage for that month.***

Administration's Response:

The Administration concurs with the recommendation and staff in Central Fleet will enter logs into the computer system to record the fuel usage for that month upon receipt. Since a weekly log form will be designed, it will not be necessary to sort logs by number prior to entry.

5 ***The Department of County Administration instruct all the department heads and employees not to swap fuel cards. Designated vehicle cards should strictly be used only for those vehicles. To improve the fuel accountability, the fuel card assigned to a specific employee should not be transferred to other employees.***

Administration's Response:

The Administration concurs with this recommendation and employees will be instructed not to swap fuel cards.

6. ***Additional employee cards be used by all the Departments as they do in the Police Department, the Bureau of Facilities and the Waste Water Treatment Plant.***

Administration's Response:

This recommendation could be implemented in approximately four months for a cost between $7,000 and $10,000. Although the Administration agrees with this recommendation, the plan cannot be implemented in the current fiscal year due to budget constraints. The Administration will re-examine this recommendation in FY03.

Auditor's Comment:

The Administration could implement additional employee cards in FY 2003 at the Alpha Ridge site only, to increase accountability at that location.

7. ***The staff in the Central Fleet administration office observe and monitor equipment's fuel usage from time to time to determine any major fluctuations. Any major difference should be brought to the attention of the department head.***

Administration's Response***:***

The Administration concurs with this recommendation. The fleet maintenance software presently has the capability of rendering reports on individual vehicle fuel consumption, and system wide fuel consumption exceptions, based on any parameters chosen. Staff in Central fleet will run these reports and any major differences will be brought to the attention of the department head. It should be noted however that fleet maintenance software cannot pick up errors based on operator actions.

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